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Don't Walk Away From an Underwater Mortgage

By Jeffrey Cretan



Underwater mortgages are drowning homeowners all across the country. Approximately 7.5 million Americans owe more to the bank than their homes are worth, according to a recent report by First American CoreLogic, a real estate research firm. But for those struggling to make monthly payments, there is help. And for those who can't even scrape it together, there is even more available assistance.

The FHA has two programs in place to help homeowners revamp their mortgages: **the FHA Secure** and **Hope for Homeowners (H4H)**. FHA Secure allows homeowners with non-FHA mortgages to refinance their current or delinquent mortgages into an FHA mortgage. H4H helps owners refinance current mortgages into new 30-40 year loans with lower monthly payments. These programs benefit homeowners who are both up to date and behind on their mortgage payments.

But there is another new plan, the **Streamlined Modification Program**, available only to those who are behind on their monthly dues. One of the qualifications for the program is that you must be at least 90 days delinquent on your payments. If you're not behind, you don't qualify. So, some struggling homeowners who are making payments on time (or only missing by a few days) might be tempted to skip a few months in order to qualify.

However, according to Billy Procida, president of William Procida, Inc, a turnaround management firm for middle market real estate companies, skipping mortgage payments that you can afford to pay is a bad idea for one reason: credit. "Your credit follows you forever," says Procida. "You shouldn't play that game."

Even if you don't qualify for one of these government aid programs, that doesn't mean you can't re-negotiate a mortgage with your lender on your own. For those looking to renegotiate directly with lenders, Procida offers some advice from his grandmother: If you don't ask, you don't get. And when you do ask, be careful how you present yourself. "The most charming, nicest, squeakiest wheel will get greased," says Procida. Here are three helpful tips from Procida when figuring out how to maximize your chances at pulling your head above water.

Consistent Contact

"This may sound simple but it's actually the trickiest," Procida says. "Try to keep talking to the same person." [Call](#) servicing centers are scattered throughout the world, from India to Mexico to Panama, so calling back twice in five minutes could send you to two different time zones. This might work fine if you're checking a credit card balance or asking a question about a refrigerator warranty, but for those trying to explain how they need relief to avoid taking their family out into the streets, you need a little more empathy. "This is a human issue," says Procida. "For you to help me, I have to open up to you. It has to be one person talking to one person."

Procida's Pointer: Get the person's name and extension who you are talking to on your first call. That way when you call back again you'll have a built-in rapport.

Get Your Own BPO

A Broker's Price Opinion (BPO) is used by lenders and [mortgage companies](#) to assess your home's value in lieu of an appraisal. Brokers can do their own BPO's, or they can hire outside contractors who will do it for them. But these firms, according to Procida, are useless. Someone who is paid \$75 to do a BPO can look up 10 other BPOs in your neighborhood on their laptop and create one. "You can do BPOs from your bedroom," says Procida. Also, servicers often receive multiple BPO bids and can choose which one they want, which can lead them to choose the highest BPO, which will make the value of your home seem higher. "That's a big problem," says Procida. "Because the servicer doesn't know loss severity is unless they have an accurate BPO."

Procida's Pointer: Get BPOs from brokers not involved in your transaction, and

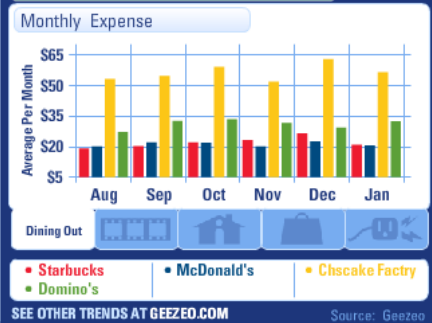
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Even if the BPOs aren't on the official forms that have something on a broker's stationary saying lead your case.

Get Real With Yourself

Knowing what you can and can't afford is one lesson everyone should take from this housing disaster. The misunderstanding of what people could and couldn't afford allowed ignorant borrowers to be taken advantage of by predatory lenders. "This part was criminal," says Procida. "They pushed people into homes that they had no chance they could pay for."

Procida's Pointer: Understand your finances and be wary of something that sounds too good to be true. "If it don't look right, it ain't right," says Procida. "People forgot that in all this."

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60 Month Home Equity	▼ 8.59%	8.74%
36 Month Home Equity	▲ 8.62%	8.41%
180 Month Home Equity	▼ 9.09%	9.19%
120 Month Home Equity	▼ 8.84%	9.16%
30 Yr Fixed Mortgage	▼ 5.32%	5.35%
15 Yr Fixed Mortgage	▲ 5.01%	4.91%
5 Year ARM	▼ 5.40%	5.58%
3 Year ARM	▼ 5.51%	6.00%
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